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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3175
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2013
RUEHAR/AMEMBASSY ACCRA 2145
RUEHDS/AMEMBASSY ADDIS ABABA 2265
RUEHRL/AMEMBASSY BERLIN 0801
RUEHBY/AMEMBASSY CANBERRA 1542
RUEHDK/AMEMBASSY DAKAR 1900
RUEHKM/AMEMBASSY KAMPALA 2321
RUEHNR/AMEMBASSY NAIROBI 4752
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1411
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000611

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 7-11-2008

1. SUMMARY

Topics of the week:

- ZANU-PF-MDC Preliminary Talks Begin...
- Parliament to Convene...
- Violence Continues...
- Attack on Government IDP Camp...
- IDPs Flee to Embassy...
- Global Opinion of South Africa Slumps...
- Remittance Disbursements Capped for Lack of Hard Currency

Notes...

- Grain, Vegetable Oil deficits Worsen...
- Back to Barter as Money Loss Value...

2. Price Movements-Exchange Rte and Selected Products

Parallel rate for cash nearly doubled to Z\$47billion:US\$1 against inter-bank average of Z\$19 billion:US\$1

Bank transfer rate doubled to Z\$140 billion:US\$1; official rate: Z\$30,000:US\$1

Bread on the parallel market more than doubled to Z\$55 billion vs. controlled price of Z\$400 million

Sugar increased fivefold to Z\$250 billion/2kg vs. controlled price of Z\$8 million/2kg

Cooking oil shot to Z\$90 billion/750ml vs. controlled price of Z\$9.3 million/750ml

Petrol and diesel climbed to Z\$50 billion/liter vs. controlled price of Z\$60,000/liter

¶3. ZANU-PF-MDC Preliminary Talks Begin... For the last couple of weeks, MDC president Morgan Tsvangirai has insisted that negotiations between ZANU-PF and the MDC would not resume until certain conditions were met, including the involvement of the African Union in the mediation process, an end to violence, and the release of over 1,500 MDC detainees. The government-controlled The Herald trumpeted inter-party talks taking place July 10 and 11 in South Africa as a flip flop on the part of the MDC. The MDC subsequently issued a press release clarifying that the South African talks between ZANU-PF and representatives of the two MDC factions (Patrick Chinamasa and Nicholas Goche for ZANU-PF, Tendai Biti and Elton Mangoma for the Tsvangirai faction, and Welshman Ncube and Priscilla Misihairabwi-Mushongo for the MDC Mutambara faction) were designed to iron out the conditions set by Tsvangirai so that actual negotiations could take place. See Harare 605 for the post-electoral state of play and status of negotiations.

¶4. Parliament to Convene... By law, President Mugabe must convene Parliament by July 17. As a result of the March 29 and June 27 elections, the combined MDC has 110 members in the House of Assembly, ZANU-PF has 99, and there is one independent. MDC should theoretically be able to elect the powerful House Speaker. But ZANU-PF's campaign of violence has reportedly resulted in the deaths of two MDC parliamentarians-elect, the disappearance of one, and the continuing incarceration of several. Several others are underground

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since they are targeted for arrest. While the MDC is hopeful it can produce a majority in Parliament next week, this is problematic; treatment of parliamentarians-elect will certainly be one of the subjects of the South African preliminary talks taking place now. See also Harare 605.

¶5. Violence Continues... Since the June 27 election, violence appears to have subsided in Harare and ZANU-PF bases have been dismantled. Apart from sporadic outbreaks, violence during the electoral period was never a big issue in Bulawayo and Matabeleland. But ZANU-PF bases continue to exist in the rest of the country, and there have been serious pockets of violence in communities in the Mashonaland provinces, Masvingo, Midlands, and Manicaland. Additionally, targeting of MDC officials at all levels continues. See Harare 606.

¶6. Attack on Government IDP Camp... On June 26, over 300 IDPs arrived at the South African Embassy in Harare seeking shelter and assistance. On June 27, Election Day, following a reported arrangement between some international agencies and Zimbabwean authorities, the IDPs were relocated to a facility run by the Ministry of Social Welfare in Ruwa, outside Harare. In the early morning hours of July 7, an unknown number of masked armed men, suspected to be police, raided the site and beat the IDPs. Eight were hospitalized as a result of their injuries and 14 fled into the bush. Zimbabwean officials blamed the opposition MDC for the attack. See Harare 598 and 602.

¶7. IDPs Flee to Embassy... The GOZ's campaign of violence has displaced at least 33,000 Zimbabweans, and the humanitarian crisis remains acute. On July 3, over 300 displaced MDC supporters sought shelter, food, medical care, and supplies at Embassy Harare. In the absence of a coordinated humanitarian response to the crisis, Mission staff assisted women and children to alternative locations and moved the remaining men offsite the next day. Informal networks of organizations and individuals have stepped in to attempt to assist the IDPs, most of whom remain too frightened, or without the means, to return to their home areas. Exacerbating the situation, the "safe houses" are vulnerable to government security forces and food is scarce. UN agencies are not equipped to meet the heavy demand for services, and, significantly, fear getting involved without government permission. See Harare 598.

¶8. Global Opinion of South Africa Slumps... Communications monitor

Media Tenor says global opinion of South Africa has slumped significantly in the past year. The report released July 8th 2008 analyzed 96 opinion leading media in 15 countries between January 2007 and May 2008. The findings show coverage of recent xenophobic attacks and President Thabo Mbeki's stance on Zimbabwe are partly to blame. The report says western media have grown increasingly critical of President Thabo Mbeki and South Africa's foreign policy especially with regards to Zimbabwe. The report says Mbeki's profile internationally has become synonymous with his relationship with Mugabe.

On the Economic and Business Front

¶9. Remittance Disbursements Capped for Lack of Hard Currency Notes... On the heels of Giesecke & Devrient's termination of the supply of bank note paper to Zimbabwe, U.K.-based Travelex suspended its supply of foreign cash to Western Union in Zimbabwe in late June, apparently fearful of being tarred, like Barclays and Anglo American, with sustaining the Mugabe regime. Lines for cash at Western Union outlets are up to 400 people long as the country's biggest money transfer agency caps disbursements and scrambles for other sources of cash. See Harare 604.

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¶10. Grain, Vegetable Oil Deficits Worsen... Zimbabwe's winter wheat crop is 30,000 MT-less than a tenth of the local consumption requirement-according to the annual Zimbabwe Grain and Feed Report published by the USDA FAS Global Agriculture Information Network (GAIN). In addition, the country faces a sizeable maize deficit following a poor harvest estimated at 470,000 MT. The magnitude of imports needed coupled with the global rise in food prices will put a significant strain on the fiscus. The GAIN Oilseeds and Products annual report notes that cottonseed production, which accounts for about half of total oilseed production, increased 27.9% in the 2007/08 season, but soybean output dropped 35%, threatening the country's poultry and piggery sectors. Ironically, demand for cottonseed meal is in decline as Zimbabwe's commercial beef herd shrinks. Domestic vegetable oil production is estimated at 32,000 MT against a national requirement of 80,000 MT.

¶11. Back to Barter as Money Loses Value... With year-on-year inflation now in the tens of millions percent, more companies are turning to barter to preserve value. The Embassy's local internet service provider advised us formally that it is accepting payment in fuel coupons from selected service stations or in highly valued Old Mutual shares; suppliers of potatoes to Cairns Holdings Limited are seeking payment in fuel coupons or any other commodity that maintains value. Golf club membership fees are also payable in fuel coupons.

Allegory of the Week

¶12. from Imara Asset Management CEO John Legat's "Investment Notes" of July 2008:

¶13. The Titanic has now sunk. There are a small number of lifeboats left drifting filled with shocked, injured and traumatized passengers. One of the lifeboats has the Captain and his senior officers on board, those same people who irresponsibly drove the ship at high speed into the iceberg that ultimately sank the great ship. As the sun begins to rise, a sense of relief is felt on the boats, with hope that nearby ships from Europe and America could soon provide assistance. The Captain looks very concerned and helpless as it becomes apparent that his lifeboat is sinking. Those in the other lifeboats, sensing that their help is required, look the other way as their boats are already full. A chuckle is heard from one of them. Too bad.

Quote of the Week

¶14. From interview with RBZ Governor Gono in The Herald, July 11, 2008:

"Ultimately for me, I would like the whole world and Zimbabweans in particular to know that I want to be counted as one of those patriotic sons of the soil who was there for my country, stood for and by my country and countrymen/women at Zimbabwe's hour of maximum danger, its hour of maximum need and not one who hid behind a finger or heap of lies, or under the desk when the country needed men and women to uphold its laws, preserve and promote peace and stability through whatever modes efforts I am able to make, and contributed to the preservation of the nation's legacy as defined by our present and departed heroes and heroines of the liberation struggle."

DHANANI